CONSOLIDATED HCI HOLDINGS CORPORATION

ANNUAL REPORT • 2001

Revenue for the year ended September 30, 2001 increased to $135,977,000 from the previous year's $64,392,000. The majority of the increase was the result of the company's bringing to market substantially all of its remaining residential land inventory. Rental revenues also increased with the addition of a new building to the income-producing property portfolio and increases on lease renewals. Housing revenue decreased, the result of bringing fewer units to market as certain projects near completion.

The company recorded net earnings of $15,774,000 or $0.74 per share compared to the previous year's earnings of $ 6,840,000 or $0.32 per share.

Rental of industrial space in our business park remained steady during the year. However, indications are that vacancies will increase from their year-end rate of 2.4%, due to the effect on some tenants of the slowdown in some sectors of the North American economy. During the year construction commenced on a 20,000 square foot automobile dealership in the company's Autopark. The building has been completed and leased in December 2001.

The company continues to have satisfactory relations with its banker. During the year the company repaid all of its bank loans with the exception of its share of project-specific financing in the housing joint ventures.

The company has sold serviced lots, a commercial site and a school site in Mississauga, and serviced land in the company's Autopark. These sales are expected to close in 2002 with the company's share of the gross revenue expected to be approximately $23,700,000.

The holder of the demand debenture, under which a total of $37,876,000 including accrued interest was owing at September 30, 2001, has extended the due date to December 31, 2002, provided that the company's bank loans, if any, remain in good standing and the company does not pay any dividends. The company intends to repay the debenture before the due date with cash and a bank facility.

Stanley Goldfarb
President

These management comments on the financial condition of the company and results of operations for the two years ended September 30, 2001 are the views of management and should be read in conjunction with the consolidated financial statements including related notes in this 2001 Annual Report.

The company's activities in the real estate industry are conducted through wholly owned subsidiaries as well as in concert with others at varying participation rates through partnerships, joint ventures, co-tenancies and limited company ventures. The financial statements include these ventures on a proportionate consolidation basis. The activities of the company include the development of raw land by obtaining all necessary regulatory approvals and installing service infrastructures. These lands are then either sold to builders or other interested parties or retained by the company for the construction of industrial, commercial or office facilities which are then leased out. The company also conducts activities through various ventures in the building and selling of new homes on land purchased from others as well as from the company.

RISKS

Financial Risks

At September 30, 2001, the company is indebted in the amount of $37.9 million under a demand debenture issued in a previous year. The company recorded interest expense of $3.8 million on this debt in 2001 and $3.5 million in 2000. The demand debenture is owed to a company controlled by a director, as trustee for a lending syndicate, which includes certain shareholders of the company.

The debenture holder has confirmed that, providing the company's bank loans, if any, remain in good standing and the company does not pay any dividends, it will not demand payment on the loan during the calendar year 2002. The debenture holder also has agreed to reduce the interest rate charged under the debenture by 2%, to prime plus 2%, commencing October 1, 2001. It is the company's intention to repay the debenture with cash and a bank facility during 2002.

The company is subject to interest rate fluctuations. The company is continuing to follow its policy of replacing bridge financing with fixed-term debt on its properties when it is available. Subsequent to September 30, 2001, the company received a commitment to provide $6.1 million of new financing on its income-producing property completed during the year, at a rate of 7.29% per annum. Interest rate savings averaging approximately three percentage points were achieved on the replacement of $9.6 million of fixed-term debt, which matured in 2001. The company expects similar interest savings on $9.9 million of fixed-term debt renewals in 2002.

Operational Risks

Any instability in the real estate sector in the Greater Toronto Area could cause the time frame to collect any amounts due from sales to be extended. Any reduction in the level of activity in the housing sector will also affect our housebuilding joint ventures as they could be faced with losses on inventory. At the present time, management is satisfied that the company's receivables will be collected in full and that land inventories are valued at the lower of cost and net realizable value.

RESULTS OF OPERATIONS

Net Results and Taxes

For the year ended September 30, 2001, the company recorded earnings before taxes of $24.9 million compared to earnings recorded for the previous year of $12.7 million. In 2001, the company recorded a provision for income taxes of $9.1 million compared to a provision of $5.8 million in 2000, including provisions for large corporation taxes of $0.4 and $0.2 million, respectively. After taxes, the company reported net earnings of $15.8 million or $0.74 per share. In the previous year, the company reported net earnings

of $6.8 million or $0.32 per share. The number of shares outstanding for both 2001 and 2000 was 21,368,442 with no outstanding dilutive items in either year.

Revenue

Total revenue for 2001 increased to $136.0 million from the $64.4 million recorded in the previous year. This increase resulted from an increase in land sales and rental revenue, partially offset by a decrease in housing sales. As mentioned in previous years, the nature of development does not allow for a consistent year to year volume of sales. The revenue is comprised of sales in specific projects as the marketplace dictates and buyers become available. During 2001, the company recorded the sale of 1,106 units in various subdivisions and infill sites (our share was 926 units), a 7-acre serviced school site in the company's Arrowsmith subdivision in Mississauga and 4 acres of serviced industrial land in the Autopark section of the Woodbridge Pine Valley Business Park. In the previous year, the main components of recorded revenue were from the sale of 4 acres of serviced industrial land in the Autopark section of the Woodbridge Pine Valley Business Park, the company's 50% share of the sale of 8 acres of unserviced residential land in the Mississauga Fieldrun project and the sale of 230 units in various subdivisions and infill sites (our share was 130 units). Typically, sales of land under agreements of purchase and sale allow the purchaser an interest-free period of between 6 and 24 months. Accordingly, revenue from sale of land is recorded at a discounted value to account for the interest-free period.

That portion of revenue recorded as real estate land sales was $91.3 million for 2001 compared to $18.2 million for 2000. The revenue from housing sales as recorded by our joint ventures decreased to $22.5 million for 2001 from the previous year's $27.3 million. The decrease in revenue is attributable to the decrease in the number of units available for sale as projects were completed and fewer new projects were started.

The rental revenue for 2001 was $17.1 million compared to the previous year of $15.4 million. The rental revenue increase in 2001 resulted from increased rental rates and the impact of the new income-producing property which came on-stream at the start of the fourth quarter.

Interest and other income includes interest on receivables from land sales in the amount of $2.1 million in 2001 and $2.6 million in 2000. Also included are project management fees of $0.5 million in 2001 and $0.6 million in 2000 earned from operating partnerships, joint ventures and co-tenancies in which the company has an interest.

In 2001, the company recorded income of $1.3 million resulting from the recovery of a secured receivable provided for in a prior year. One-half of the recovery was received in cash and the balance is due in 2002 and bears interest at one percent above prime.

Expenses

Real estate cost of sales for land and the rate of profit on housing sales are functions of the projects sold. The land cost of sales for 2001 was 77% of net sales revenue compared to 40% in 2000 and 72% in 1999. The dramatic increase of the overall land costs in relation to selling prices in 2001 is attributable largely to there being a much greater proportionate component in 2000 land sales of non-residential sales and sales of lots to individual buyers, compared to 2001. These sales had a much lower cost component than sales of residential lots to builders in the current year. In addition, adjustments of cost of sales recorded in prior years of $1.1 million in 2001 and $4.1 million in 2000 further accentuates the land cost to land sales increase year over year. These adjustments to cost of sales relate primarily to the reduction of the financing component due to a more rapid retirement of debt than originally expected. The rate of profit on housing sales decreased to 1.9% in 2001 from 3.1% in 2000. In 1999 the rate was 3.8%.

Rental operating expenses in 2001 have increased over 2000 by 2.9%, reflective of some moderate property tax changes and increased maintenance activity as buildings age. Financing costs in 2001 decreased by 3.8% from the costs in 2000 due to reduced interest expense resulting from both debt retirement and the decline in bank prime interest rates throughout the year. General and administrative costs in 2001 increased by 46.7% over 2000 primarily due to the net profit-driven management fee component. As well, the year over year change was the result of increased wage and head office overhead costs, net of a $0.5 million provincial capital tax refund resulting from a reassessment of prior years. Amortization expense showed a small increase in 2001 due to commencing amortization of a new income-producing property at the beginning of the fourth quarter and the normal annual increase in building amortization under the sinking fund method.

The provision for income taxes of $9.1 million (2000-$5.8 million) comprises $10.5 million (2000-$5.7 million), computed by applying the average statutory Canadian federal and provincial income tax rates to earnings before income taxes, and $0.4 million of large corporation tax (2000-$0.2 million), reduced by $1.8 million (2000-$nil) being the benefit resulting from the reduction in the substantively-enacted income tax rates during the year.

FINANCIAL CONDITION

Assets

Income-producing properties increased in 2001 by $6.1 million due to the completion of a new $6.8 million, 147 thousand square foot building added to the industrial rental portfolio net of the disposal of the company's share of a joint venture commercial property and annual amortization. The prior year decrease was primarily the result of annual amortization.

At September 30, 2001, the company's portfolio of wholly owned income-producing properties comprises 1.8 million square feet of industrial space, office space of 43 thousand square feet and commercial space of 91 thousand square feet. The increase in industrial space over that of 2000 is the result of the new building referred to above. The overall vacancy rate at September 30, 2001 stood at 2.6%, up from 2.4% at September 30, 2000. Industrial vacancies were 2.4%, up from 2.3%, commercial 11.4%, up from 6.7%, and there were no office vacancies in either year.

The property under development at September 30, 2001 represents the carrying value of land and construction costs to date of a twenty-two thousand square foot automobile dealership in the Autopark section of the Woodbridge Pine Valley Business Park. The building has been pre-leased with completion and occupancy scheduled for December 2001.

Land inventory is segregated on the balance sheets as land held for future development, which consists primarily of raw land, and land and housing under development, which represents land that is being or has been serviced or developed and the inventory of housing under construction of our joint ventures. The company's inventory of land, excluding the housing under construction, decreased by $27.3 million in 2001. This decrease was primarily the result of cost of sales exceeding expenditures on land inventory to bring land to market. The major components of cost of sales relate to industrial land sold in Woodbridge and residential lots in Mississauga, Woodbridge, Markham and Kleinberg. Expenditures on land relate largely to the properties sold. The level of the company's inventory of housing under construction declined by $4.4 million from 2000 to 2001. This decline, due to there being more projects reaching their final stages than new projects starting, is net of $2.7 million of new land purchases in two existing projects.

Cash includes cash and cash equivalents, comprising unrestricted cash and term deposits with a maturity of three months or less from the

date of acquisition and restricted cash, comprising cash and term deposits required to secure outstanding guarantees and letters of credit and amounts required to fund costs to complete projects sold.

Amounts receivable increased by $45.1 million in 2001 compared to a decrease of $14.9 million in 2000. Receivables at September 30, 2001 include $64.9 million as a result of sales agreements recorded during the year.

Liabilities

Bank advances decreased in 2001 by $7.2 million, the result of the company's repaying all of its bank debt save its share of project loans in its housebuilding joint ventures. This decrease resulted primarily from debt repayment using cash generated from operations. The 1999 to 2000 net decrease of $23.3 million was accomplished using operating cash as well as $4.0 million of financing on a new income-producing property.

Loans payable decreased by $4.3 million as a result of the repayments of the $2.8 million balance of a loan from a joint venturer, $3.2 million of loans payable on land purchased by the company's housebuilding joint ventures, a $0.8 million mortgage loan on an income-producing property and $2.0 million of scheduled payments on mortgage loans. These decreases were offset by interest of $3.8 million capitalized on the debenture and a mortgage loan of $0.7 million from a joint venturer on land purchased from the joint venture. In 2000, loans payable increased by $3.2 million, due primarily to a new mortgage loan of $4.0 million secured by an income-producing property, which was used to replace bank advances for the property, and interest of $3.5 million capitalized on the demand debenture. These increases were offset by repayments of $0.8 million on a loan from a joint venturer and the repayment of $1.7 million of loans payable on land purchased by the company's housebuilding joint ventures. Scheduled payments on mortgage loans amounted to $1.8 million.

Accounts payable and accrued liabilities increased in 2001 by $29.8 million with $26.1 million of the increase attributable to the increase in the estimated cost to complete projects sold. In 2000, there was a decrease in these liabilities of $8.3 million, $5.7 million of which was attributable to the decrease in the estimated cost to complete projects sold. These payables are directly affected by the stage of the company's development activities outstanding at year-end. Deposits on sales decreased in 2001 by $0.9 million and represent deposits received for sales that are expected to take place in 2002.

CHANGE IN ACCOUNTING FOR INCOME TAXES

The company has adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. The basis and effect of this change is outlined in note 2 to the consolidated financial statements.

OUTLOOK

In 2002, the company is anticipating bringing to market its share of the sale of 184 units in the Mississauga subdivisions. These closings, the company's share of which are 160 units, are expected to generate proceeds of approximately $12.0 million. The company also expects to close land sales comprising a 15-acre school site and a 2-acre commercial site in one of the Mississauga subdivisions and 2 sites totalling 13 acres in the Woodbridge Pine Valley Business Park. These closings are expected to generate proceeds of approximately $11.7 million. The timing of the recognition of these sales will depend on the company satisfying all material conditions of the sales agreements and the receipt of sufficient deposits. The ultimate collection of the proceeds from sales of residential lands will depend on the housebuilder closing with the ultimate homebuyer. Banking arrangements to fund the servicing costs of these projects are already in place.

The company also anticipates that net rental revenues will continue to increase as its new income-producing property generates revenue for a full year, the income-producing property under development comes on-stream and the company achieves higher rents on lease renewals. However, management is of the opinion that the rate of rental revenue improvement may decline as certain tenants may be adversely affected by the slowdown in some sectors of the North American economy.

The company's residential land inventory has been substantially depleted. The company has been actively seeking new development opportunities. To date, no significant land purchases have been made.

MANAGEMENT RESPONSIBILITIES

The consolidated financial statements of Consolidated HCI Holdings Corporation have been prepared by management of the company in accordance with Canadian generally accepted accounting principles.

Management maintains appropriate controls to provide reasonable assurance that the assets of the company, its subsidiaries and joint ventures are safeguarded and that financial information is reliable and accurate. Where necessary, management uses judgement to make estimates based on informed knowledge of the facts.

The Board of Directors bears ultimate responsibility for the financial statements. An audit committee composed primarily of outside directors has reviewed in detail these statements with management and also with the external auditors appointed by the shareholders. The audit committee has recommended their approval to the board. The Board of Directors has approved these consolidated financial statements.

All other financial and operating data included in the annual report are consistent with information contained in the consolidated financial statements and have been reviewed by the Board of Directors.

Stanley Goldfarb
President and Treasurer

AUDITORS' REPORT

TO THE SHAREHOLDERS OF CONSOLIDATED HCI HOLDINGS CORPORATION

We have audited the consolidated balance sheets of Consolidated HCI Holdings Corporation as at September 30, 2001 and 2000 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

Toronto, Canada
December 14, 2001

CONSOLIDATED BALANCE SHEETS

September 30 (in thousands of dollars)	2001	2000
ASSETS		
Income-producing properties (note 3)	$ 77,210	$ 71,062
Property under development (note 4)	1,265	1,474
Land and housing under development (note 5)	45,395	46,682
Land held for future development (note 6)	2,871	33,255
Cash (note 7)	42,408	20,824
Amounts receivable (note 8)	69,739	24,605
Other	2,907	2,009
	$ 241,795	$ 199,911
LIABILITIES		
Bank advances (note 9)	$ 227	$ 7,429
Loans payable (note 10)	97,684	102,013
Accounts payable and accrued liabilities	53,055	23,252
Deposits on sales	2,622	3,484
Future income taxes (notes 2 and 11)	23,533	19,033
	177,121	155,211
SHAREHOLDERS' EQUITY		
Capital stock (note 12)	37,269	37,269
Contributed surplus	374	374
Retained earnings	27,031	7,057
	64,674	44,700
	$ 241,795	$ 199,911

See accompanying notes

Approved by the Board

Director

Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Year ended September 30 (in thousands of dollars, except per share amounts)	2001	2000
REVENUE		
Real estate sales		
Land	$ 91,254	$ 18,152
Housing	22,540	27,309
	113,794	45,461
Rental	17,103	15,377
Interest and other income	3,780	3,554
Recovery of prior year provision for secured receivable	1,300	—
	135,977	64,392
EXPENSES		
Real estate cost of sales		
Land	69,916	7,263
Housing	22,116	26,470
	92,032	33,733
Rental operating expenses	4,496	4,370
Financing	9,396	9,762
General and administrative	3,970	2,706
Amortization	1,210	1,138
	111,104	51,709
Earnings before income taxes	24,873	12,683
Provision for income taxes (note 11)	9,099	5,843
Net earnings for the year	15,774	6,840
Retained earnings, beginning of the year		
As previously reported	7,057	217
Retroactive adjustment for future income taxes (note 2)	4,200	—
	11,257	217
Retained earnings, end of the year	$ 27,031	$ 7,057
Net earnings per share – basic	$ 0.74	$ 0.32

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended September 30 (in thousands of dollars)	2001	2000
Cash provided by (used in)		
OPERATING ACTIVITIES		
Net earnings for the year	$ 15,774	$ 6,840
Add (deduct) non-cash items		
Future income taxes	8,700	5,660
Amortization	1,210	1,138
Recovery of prior year provision for secured receivable	(650)	—
Other	275	159
Costs recovered through sales of real estate	92,032	33,733
Expenditures on housing under development and land	(33,027)	(33,859)
Repayment of loans payable on land and housing under development	(7,426)	(6,342)
Repayment of mortgage loans on land held for future development	(99)	(869)
Interest expense not paid	3,798	3,497
Changes in non-cash operating balances		
Amounts receivable	(44,484)	14,883
Accounts payable and accrued liabilities	3,719	(2,537)
Deposits on sales	(862)	1,626
Income taxes payable	—	(1,144)
Other	(1,097)	(180)
	37,863	22,605
INVESTING ACTIVITIES		
Expenditures on		
Income-producing properties	(5,703)	(30)
Land held for investment	(152)	(417)
Property under development	(794)	(166)
Proceeds of sale of income-producing property	355	—
Restricted cash	1,106	3,814
	(5,188)	3,201
FINANCING ACTIVITIES		
Mortgage loans on income-producing properties		
Proceeds	—	4,000
Repayments	(2,783)	(1,758)
Bank advances		
Proceeds	—	8,687
Repayments	(7,202)	(31,939)
	(9,985)	(21,010)
Increase in cash and cash equivalents during the year	22,690	4,796
Cash and cash equivalents, beginning of the year	13,239	8,443
Cash and cash equivalents, end of the year	$ 35,929	$ 13,239

SUPPLEMENTARY INFORMATION

	2001	2000
Interest expense paid	$ 5,598	$ 6,236
Income taxes paid	399	1,368

See accompanying notes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the company are in accordance with Canadian generally accepted accounting principles appropriate for the real estate industry. Outlined below are those policies considered particularly significant.

Principles of Consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries, together with the company's proportionate share of the assets, liabilities, revenue and expenses of operating partnerships, joint ventures and co-tenancies.

Income-producing Properties and Amortization

Income-producing properties are carried at the lower of cost, less accumulated amortization, and net recoverable amount.

Amortization of buildings is provided for on the sinking fund method in annual amounts increasing at the rate of 5% compounded semi-annually, which is designed to fully amortize the costs of the buildings over their estimated useful lives as follows:

Industrial buildings – 35 years
Commercial buildings – 40 to 50 years

Amortization of equipment is provided at 20% on a diminishing balance basis.

Properties Under Development

Properties under development are carried at the lower of cost and net recoverable amount.

Land and Housing Under Development and Land Held for Future Development

Land held for resale and housing under development are carried at the lower of cost and net realizable value. Net realizable value represents the amount of estimated net sales proceeds, taking into account management's assumptions and projections for the development of the property and market conditions.

Land held for investment purposes is carried at the lower of cost and net recoverable amount.

Capitalization of Costs

The company capitalizes certain costs applicable to properties under development, housing under construction and land. These costs include costs incurred during the development period, such as specific interest, realty taxes and that portion of general and administrative expenses considered applicable. For land projects, the development period is considered to have ended when the project is available for sale or lease.

Income Recognition

Rental expenses, net of revenues, are capitalized to building costs until a satisfactory level of occupancy is attained. This level is generally determined by a break-even point in cash flow earnings subject to a reasonable maximum period of time. At that time, rental income or loss is recognized in the consolidated statements of earnings and retained earnings.

Land sales under agreements of purchase and sale are recognized as income once all material conditions have been fulfilled and the company has received a down payment that is appropriate in the circumstances having regard to the financial resources of the purchaser. Land sales are reported net of the imputed discounts arising from interest-free periods granted on balances due under agreements of purchase and sale.

Housing sales are recognized at the time of closing.

Costing and Land Sales

Costs are allocated to the saleable acreage of each project or subdivision as follows:

a) undeveloped land cost is pro-rated on an acreage basis to each phase of a subdivision. For commercial and industrial projects, costs are then allocated on a net acreage basis; and

b) servicing costs are allocated to individual lots on a front footage basis in each phase of a subdivision under development and on a net acreage basis for commercial and industrial projects.

Income Taxes

The company uses the liability method of tax allocation for accounting for income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured by using the enacted or substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results could differ from those estimates.

2. ACCOUNTING CHANGE

The company has adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. These standards have been adopted retroactively, without restatement, on October 1, 2000. Accordingly, comparative amounts presented in these financial statements are based on the previous accounting standard.

Under the new accounting policy for income taxes, future income tax assets and liabilities are determined based on differences between the carrying amounts and tax bases of assets and liabilities, measured using the liability method, by applying the tax rates and laws that will be in effect when the differences are expected to reverse. Previously, deferred income taxes reflected the tax effect of revenue and expense items reported for accounting purposes in periods different than for tax purposes and measured at the tax rate in effect in the year the difference originated. The cumulative effect of adopting the standard of $4,200 is reported separately in the statements of earnings and retained earnings as a retroactive adjustment to retained earnings for the year ended September 30, 2001.

3. INCOME-PRODUCING PROPERTIES

	2001	2000
Land	$ 20,906	$ 19,041
Buildings and equipment	67,399	62,023
	88,305	81,064
Less accumulated amortization	11,095	10,002
	$ 77,210	$ 71,062

4. PROPERTY UNDER DEVELOPMENT

	2001	2000
Land costs	$ 471	$ 1,292
Construction costs	794	182
	$ 1,265	$ 1,474

5. LAND AND HOUSING UNDER DEVELOPMENT

	2001	2000
Land		
Acquisition costs	$ 12,305	$ 8,273
Carrying costs	9,780	10,081
Development and servicing costs	10,273	10,916
	32,358	29,270
Housing under construction	13,037	17,412
	$ 45,395	$ 46,682

Cost of sales adjustments of $1,108 (2000 - $4,169) arising from revisions to the estimated costs to complete land sold in prior years have been reflected as a reduction of real estate cost of sales in the year ended September 30, 2001.

6. LAND HELD FOR FUTURE DEVELOPMENT

	2001	2000
Acquisition costs	$ 2,276	$ 19,003
Carrying costs	487	12,764
Development and servicing costs	108	1,488
	$ 2,871	$ 33,255

7. CASH

	2001	2000
Cash and cash equivalents	$ 35,929	$ 13,239
Restricted cash	6,479	7,585
	$ 42,408	$ 20,824

Cash and cash equivalents include unrestricted cash and term deposits with a maturity of three months or less from the date of acquisition. Restricted cash includes deposits required to secure outstanding guarantees and letters of credit and amounts required to fund costs to complete projects sold.

8. AMOUNTS RECEIVABLE

	2001	2000
Receivables under agreements of purchase and sale	$ 67,941	$ 23,189
Mortgages and loans receivable	1,187	954
Other	611	462
	$ 69,739	$ 24,605

Included in receivables under agreements of purchase and sale is $34,669 due from six parties in 2003 relating to sales in one development, $25,207 due from four parties in 2004 relating to sales in three different developments and $3,680 due from one party in 2005 relating to sales in one development. The receivables under agreements of purchase and sale generally bear no interest for a portion of their period and are due 2 years from the adjustment (closing) date as defined in the individual agreements, or upon transfer of land title.

In accordance with the company's accounting policy, $67,214 of the receivables under agreements of purchase and sale is shown net of a $5,525 discount at September 30, 2001 (2000 - $9,153 and $464, respectively) to yield a 7% per annum return.

Included in receivables under agreements of purchase and sale in 2001 is $6,588 (2000 - $977) due from a joint venturer relating to a land sale in the year.

The due dates of the receivables, as defined in the individual agreements, are as follows:

Years ending September 30	
2002	$ 3,825
2003	35,595
2004	25,607
2005	4,250
2006	462
	$ 69,739

9. BANK ADVANCES

Bank advances in 2001 consist of the company's share of joint venture operating loans bearing interest at prime plus 0.5%. The 2000 balance, which includes demand operating and non-revolving loans repaid in 2001, bore a year-end weighted average interest rate of 8.39%. The company has available lines of credit in the amount of $44,816 which are secured by a $150,000 demand debenture providing fixed charges against the company's properties, a floating charge over all other assets and by a registered general assignment of book debts.

10. LOANS PAYABLE

	2001	2000
Mortgage loans	$ 59,808	$ 67,982
Debenture	37,876	34,031
	$ 97,684	$ 102,013

The mortgage loans, other than on the housing under development which generally are interest-free for certain periods, bear interest at a year-end weighted average rate of 9.26% (2000 - 9.61%) per annum. The loans are secured as follows:

	2001	2000
Income-producing properties	$ 53,709	$ 56,492
Land and housing under development	5,662	10,954
Land held for future development	437	536
	$ 59,808	$ 67,982

Principal repayments of the mortgage loans are due as follows:

Years ending September 30	
2002	$ 16,729
2003	8,222
2004	1,639
2005	22,013
2006	1,211
Thereafter	9,994
	$ 59,808

Mortgage loans payable secured by housing under development and land include $4,806 (2000 - $7,932) owing to companies partly owned by certain shareholders of the company and $681 (2000 - $2,814) owing to a joint venturer partly owned by a shareholder.

The company has issued a demand debenture for $40,000 as security for a loan in the principal amount of $16,811 owing to a company controlled by a director, as trustee for a lending syndicate which includes certain shareholders. Interest on this loan was charged at prime plus 2% until June 30, 1999. Effective July 1, 1999, the rate was increased to prime plus 4% as a result of negotiations with the lender. Interest expense for the year ended September 30, 2001 amounted to $3,845 (2000 - $3,519). The debenture is subordinated to bank advances and mortgage loans and provides for a fixed and floating charge on all the company's assets. No specific terms of repayment have been established for this loan and accrued interest owing is being added to the principal amount of the loan. The company expects that ongoing negotiations with the debenture holder will result in the company being able to meet its obligations under the loan agreement. The debenture holder has confirmed that, providing the company's bank loans, if any, remain in good standing and the company does not pay any dividends, it will not demand payment on the loan during the calendar year 2002. The debenture holder has agreed to reduce the interest rate charged under the debenture to prime plus 2% commencing October 1, 2001.

11. INCOME TAXES

a) Significant components of the income tax provision as at September 30 are as follows:

	2001	2000
Current	$ 399	$ 183
Future tax	8,700	5,660
	$ 9,099	$ 5,843

b) The income tax provision differs from the amount computed by applying the average statutory Canadian federal and provincial income tax rates to the earnings before income taxes. These differences are as follows:

	2001	2000
Expected income tax at 42% (2000 - 44%)	$ 10,477	$ 5,660
Large corporations tax	399	183
Benefit resulting from reduction in income tax rates	(1,777)	—
	$ 9,099	$ 5,843

c) Future income taxes have been provided on temporary differences consisting of the following:

	2001
Capital cost allowance in excess of accounting amortization booked	$ 3,740
Costs capitalized for accounting, deducted for income tax	5,128
Mortgage reserves and discounts on amounts receivable	4,260
Losses carried forward	(6,689)
Other reserves and provisions	17,094
	$ 23,533

12. CAPITAL STOCK

Authorized shares:

Class A, non-voting, without par value	– Unlimited
Class B, voting, without par value	– Unlimited
First preference shares, non-voting, without par value	– 1,500,000

Class A shares, into which Class B shares may be converted, are entitled to non-cumulative annual preferential cash dividends of $0.36 per share. After Class B shareholders have received a dividend of an equal amount, any subsequent dividend payments are divided equally between both classes of shares. Class A shares may not be converted into Class B shares. Class A shares rank prior to Class B shares with respect to the return of capital paid up thereon in the event of a dissolution, liquidation or wind-up of the company.

An analysis of changes in issued capital stock is as follows:

	Number of shares		Amount		
	Class A	Class B	Class A	Class B	Total
Balance, September 30, 1999	19,245,020	2,123,422	$ 33,141	$ 4,128	$ 37,269
Conversion of Class B shares into Class A shares	3,375	(3,375)	6	(6)	—
Balance, September 30, 2000	19,248,395	2,120,047	33,147	4,122	37,269
Conversion of Class B shares into Class A shares	4,480	(4,480)	7	(7)	—
Balance, September 30, 2001	19,252,875	2,115,567	$ 33,154	$ 4,115	$ 37,269

13. COMMITMENTS AND CONTINGENCIES

The company has letter of credit facilities totalling $36,063, of which $31,902 has been utilized in support of its obligation to complete servicing requirements in connection with various land development projects. A substantial portion of the costs for which the letters of credit have been provided as security have been paid or accrued.

The company is contingently liable for its associates' share of the obligations in operating partnerships, joint venture and co-tenancy developments. In each case, assets of the partnership, joint venture or co-tenancy are available and adequate to satisfy such obligations.

14. CAPITALIZED COSTS

The following costs were capitalized during the year:

	2001	2000
Interest	$ 156	$ 385
Realty taxes	498	213
General and administrative	854	496
	$ 1,508	$ 1,094

These amounts were allocated as follows:

	2001	2000
Land and housing under development	$ 1,443	$ 901
Land held for future development	57	161
Property under development	8	32
	$ 1,508	$ 1,094

15. PARTNERSHIPS, JOINT VENTURES AND CO-TENANCIES

The company's proportionate share of operating partnership, joint venture and co-tenancy operations is reflected in these consolidated financial statements as follows:

	2001	2000
Assets	$ 48,124	$ 55,883
Liabilities	16,408	22,730
	$ 31,716	$ 33,153
Revenue	$ 42,098	$ 39,291
Expenses	36,010	31,640
Income	$ 6,088	$ 7,651
Cash provided by (used in)		
Operating activities	$ (1,743)	$ 5,514
Investing activities	5,079	(330)
Financing activities	(712)	2,265

16. RELATED PARTY TRANSACTIONS

In the normal course of business, the company sells property and provides management services to certain partnerships, joint ventures and co-tenancies in which it has an interest. In addition, some lots within the housing joint ventures were acquired from companies partly owned by certain shareholders. Certain shareholders and directors are also participants in some of the land and housing joint ventures. The affairs of the company are managed by two shareholders who are also officers and directors.

Material transactions during the year were as follows:

	2001	2000
Land sales	$ 9,053	$ 3,623
Land purchases	4,025	6,997
Management fee income	490	515
Management fee expense	2,145	1,108

Additional related party transactions and balances are described in notes 8 and 10.

17. FINANCIAL INSTRUMENTS

The carrying values and estimated fair values of the company's financial instruments at September 30, 2001 and 2000 are set out below:

2001	Carrying Value	Fair Value
Bank advances	$ 227	$ 227
Mortgage loans	59,808	61,676
Debenture	37,876	37,876
2000		
Bank advances	$ 7,429	$ 7,429
Mortgage loans	67,982	69,824
Debenture	34,031	34,031

The fair value of the bank advances approximates their carrying value because they bear interest at floating rates. The fair value of the mortgage loans was estimated by discounting contractual repayments at current market rates of similar instruments. The fair value of the debenture approximates its carrying value since it is effectively due on demand. The fair values of cash and cash equivalents, restricted cash, amounts receivable, accounts payable and accrued liabilities, deposits on sales and income taxes payable approximate their carrying values due to their short-term maturities.

18. SEGMENTED INFORMATION

The company operates in Southern Ontario in the Greater Toronto Area and surrounding communities and has three reportable segments: development land for sale or transfer to the income-producing properties segment, construction and operation of income-producing properties and the construction and sale of residential units. The accounting policies of the segments are the same as those described in note 1. The results of operations and the amounts invested in these segments are as follows:

Income (Expenses)

	Revenue		Earnings	
	2001	2000	2001	2000
Land development	$ 95,075	$ 21,227	$ 25,159	$ 13,964
Income-producing properties	17,103	15,377	6,084	4,136
Residential construction	22,610	27,443	494	973
Other	1,189	345	1,189	345
	$ 135,977	$ 64,392	32,926	19,418
Unallocated Amounts				
Interest			(4,067)	(4,013)
General and administrative expense			(3,970)	(2,706)
Amortization			(16)	(16)
Income taxes			(9,099)	(5,843)
Net earnings for the year			$ 15,774	$ 6,840
Identifiable Assets				
Land development			$ 142,808	$ 103,283
Income-producing properties			82,956	74,711
Residential construction			15,850	21,482
			241,614	199,476
Unallocated corporate assets			181	435
Total company assets			$ 241,795	$ 199,911

Capital expenditures in the income-producing properties segment during the year ended September 30, 2001 amounted to $6,497 (2000 - $ 197).

Land revenue for 2001 excludes $1,082 of land transferred to the income-producing properties segment.

Earnings of the income-producing properties segment for the year ended September 30, 2001 are net of depreciation of $1,194 (2000 - $1,122) and interest expense of $5,329 (2000 - $5,749).

Included in the land development segment's revenue is sales of $17,681 to one purchaser and $25,027 to another purchaser which in each case accounted for more than 10% of that segment's revenue in 2001. In 2000, three purchasers accounted for $10,725 of that segment's revenue.

CORPORATE DIRECTORY

DIRECTORS

Rudolph Bratty
Solicitor and Partner
Bratty and Partners

John H. Craig
Solicitor and Partner
Cassels Brock & Blackwell
Barristers and Solicitors

John H. Daniels
President
The Daniels Group Inc.

Emilio J. Gambin
President
Gammond Investments Limited

Stanley Goldfarb
President
Goldfarb Management Services Limited

Marco Muzzo
Chief Executive Officer
Muzzo Brothers Group Inc.

H. Clifford Hatch, Jr.
President
Cliffco Investments Limited

OFFICERS

Marco Muzzo
Chairman of the Board

Stanley Goldfarb
President & Treasurer

REGISTERED OFFICES

Consolidated HCI
Holdings Corporation
Suite 2100
40 King Street West
Toronto, Ontario
M5H 3C2

EXECUTIVE OFFICES

100 Strada Drive, Unit 1
Woodbridge, Ontario
L4L 5V7
Telefax: (416) 253-5074
Telephone: (905) 851-7741
E-mail: ewdl@sympatico.ca

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Symbols: CXA.A and CXA.B

OPERATING MANAGEMENT EAST WOODBRIDGE DEVELOPMENTS

Luigi Gasbarre
Office Manager

Frank Di Mauro
Leasing and Property Manager

Ivano Manias
Planner

Lou Pompili
Engineering

Arnold J. Resnick
Controller

AUDITORS

PricewaterhouseCoopers LLP

TRANSFER AGENT

Computershare Trust Company of Canada

SOLICITORS

Cassels Brock & Blackwell LLP

ANNUAL MEETING

Consolidated HCI Holdings Corporation Annual Meeting will be held on Friday, March 22, 2002 at 11:00 A.M. in the Blackcreek Room, Triumph Howard Johnson Plaza 2737 Keele Street, Toronto, Ontario

PRINTED IN CANADA